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## Construction, finance drove local economy

**By Dale Kasler - Bee Staff Writer**

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It's no secret that Sacramento and many other California cities grew dependent on the booming housing market to drive economic growth. Statistics released Wednesday show just how true that was.

Construction and finance accounted for 40 percent of metropolitan Sacramento's economic growth in 2005, the most recent figures available, according to a report by the U.S. Bureau of Economic Analysis. The national average was 27 percent.

Several other California metro areas also relied heavily on construction and finance in 2005, the last year of the housing boom. Those two sectors were responsible for 40 percent of the economic growth in metro Los Angeles-Orange County, 50 percent in Merced, 35 percent in San Diego, 53 percent in Vallejo-Fairfield and 41 percent in Stockton.

"That doesn't surprise me a bit," said Chris Thornberg, principal of Beacon Economics in Los Angeles. Finance in particular "has been contributing a lot to the economy for the last bunch of years." Finance includes the mortgage industry.

The statistics mark the first time ever that the government has measured the Gross Domestic Product -- the broadest indicator of total economic output -- for metro areas across the country.

GDP growth in greater Sacramento slowed from 6.4 percent in 2003 to 4.7 percent in 2005, the BEA said. That reflected meager growth in sectors like technology and government and showed how important the housing boom was to sustaining growth in Sacramento. Still, the 4.7 percent growth was well above the U.S. average of 3 percent, the agency said.

The region's economic output in 2005 totaled \$76.38 billion, as measured in 2001

dollars.

Economists have fretted that the housing downturn, which is already slowing the economy, could lead to a recession.

The fastest-growing local economy in the country during 2005 was in Palm Coast, Fla, whose GDP grew a resounding 19.4 percent. Financial activities accounted for nearly three-quarters of that growth, reflecting the housing boom, the agency said.

Not surprisingly, the poorest performer in 2005 was greater New Orleans, where economic output fell 5.4 percent because of Hurricane Katrina.

The Bee's Dale Kasler can be reached at (916) 321-1066 or [dkasler@sacbee.com](mailto:dkasler@sacbee.com).

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The Sacramento Bee, 2100 Q St., P.O. Box 15779, Sacramento, CA 95852  
Phone: (916) 321-1000

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